

Message Text

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PAGE 01 AMMAN 05045 271140Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 PM-05 H-01 L-03
NSC-05 PA-01 PRS-01 SS-15 CEA-01 STR-04 IGA-02
/091 W

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R 271050Z AUG 77
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC 2946
INFO AMEMBASSY ABU DHABI
AMEMBASSY DAMASCUS
DIA WASHDC
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
USINT BAGHDAD POUCH

C O N F I D E N T I A L AMMAN 5045

DIA FOR AH 8

E.O. 11652: GDS
TAGS: EAID, EFIN, JO
SUBJECT: JORDANIAN BUDGET DEVELOPMENTS

REF: A) DAO AMMAN IR 6 853 0116 77, B) AMMAN 3928 (NOTAL),
C) DUWAIT 4664

SUMMARY - REF A) REPORTS INCREASE IN BASE PAY FOR ALL RANKS
OF JORDAN'S ARMY, AIR FORCE, AND POLICE THAT IS TO BE
EFFECTIVE AS OF SEPTEMBER 1, 1977. EMBASSY OFFICER SUBSE-
QUENTLY DISCUSSED BUDGET IMPLIACTIONS WITH MINISTRY OF
FINANCE. ANNUAL COST OF PAY RAISE IS ESTIMATED AT 10
MILLION JORDANIAN DINARS (1 JD EQUALS \$3 U.S.), WHICH GOJ HOPES
SAUDI ARABIA WILL SUBSIDIZE. MINISTRY OF FINANCE ALSO
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CONFIRMED THAT KUWAITIS HAVE BEGUN TRANSFER OF 1977 RABAT
PAYMENTS (REF B)). AT THIS POINT MINISTRY IS PREDICTING
THAT THERE WILL BE NO DEFICIT (ON CASH FLOW BASIS) INCURRED
IN 1977. END SUMMARY.

1. EMBASSY ECON OFFICER CALLED ON UNDERSECRETARY OF FIANCE
TO DISCUSS BUDGETARY IMPLICATIONS OF MILITARY AND POLICE

PAY RAISE ANNOUNCED PUBLICLY ON AUGUST 20. UNDERSECRETARY SAID THAT GOJ ESTIMATES THAT RAISE WILL COST GOVERNMENT ABOUT 10 MILLION JD ANNUALLY. SINCE RAISE IS IN FORM OF SALARY INCREMENTS RATHER THAN ALLOWANCES, MILITARY RETIREMENT PAYMENTS WILL ALSO BE AFFECTED: PRESENT ESTIMATE IS FOR ANNUAL INCREMENT OF 120-160,000 JD PER YEAR. UNDERSECRETARY SAID THAT IN ANY CASE INCREASED RETIREMENT COSTS WILL NOT BE MORE THAN 200,000 JD PER YEAR. SAUDIS HAVE BEEN REQUESTED BY GOJ TO PROVIDE ANNUAL SUBSIDY OF 10 MILLION JD FOR PAY RAISE, BUT HAVE NOT RESPONDED YET. ONLY POSSIBLE CIVIL SERVICE PAY RAISE NOW BEING CONSIDERED FOR ENACTMENT THIS YEAR IS WRITTEN INTO NEW DRAFT CIVIL SERVICE LAW. IF PASSED INTO LEGISLATION, NEW PAY SCALE INCORPORATED INTO DRAFT WOULD ONLY RAISE SALARIES OF HIGHEST RANKING CIVIL SERVANTS SLIGHTLY, AND THUS NOT PLACE SIGNIFICANT ADDITIONAL BURDEN ON BUDGET. GOJ HOPES THAT INCREASED CIVIL SERVANT ALLOWANCES, WHOSE COSTS WERE WRITTEN INTO 1977 BUDGET, WILL SUFFICE FOR SOME TIME. DRAFT SOCIAL SECURITY LAW, WHICH MAY ALSO BE PASSED THIS YEAR, WILL NOT ENTAIL BUDGET EXPENDITURE IN NEAR TERM.

3. REGARDING ARAB BUDGET SUPPORT, UNDERSECRETARY REAFFIRMED PREVIOUS ESTIMATE THAT KUWAITI ADJUSTMENT IN KHARTOUM PAYMENTS FOR DEPRECIATION FOR BRITISH STERLING, IN WHICH THESE PAYMENTS ARE MADE, WILL RESULT IN TRANSFER OF EQUIVALENT OF 16 MILLION JD VICE 9 MILLION JD RECORDED IN CONFIDENTIAL

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1977 BUDGET DOCUMENT. (ANOTHER SOURCE HAS INDICATED THAT GOJ IS NOT ENTIRELY CERTAIN OF HOW KUWAITI ADJUSTMENT FOR STERLING DEPRECIATION IS BEING CALCULATED SO THAT GOJ HAS NO FIRM IDEA OF EXACTLY HOW MUCH KUWAITI KHARTOUM PAYMENTS WILL TOTAL THIS YEAR.) ADDITIONALLY, GOJ NOW EXPECTS THAT ALL RABAT DONORS WITH EXCEPTION OF IRAQ (ABOUT 4 MILLION JD) AND SAUDI ARABIA (ABOUT 17 MILLION JD) WILL MAKE RABAT PAYMENTS TO JORDAN THIS YEAR. TOTAL RABAT PAYMENTS IN 1977, ACCORDING TO UNDERSECRETARY, WILL THEREFORE BE \$103-110 MILLION.

3. MILITARY PAY RAISE WILL ADD ABOUT \$10 MILLION TO CURRENT BUDGET EXPENDITURES IN 1977. ADDITIONAL UNBUDGETED EXPENDITURES INCLUDE \$10 MILLION IN GOJ EQUITY CONTRIBUTION TO ARAB POTASH COMPANY AND \$12 MILLION EQUITY CONTRIBUTION TO JORDAN PHOSPHATE FERTILIZER COMPANY (BUDGET HAD INCLUDED ONLY \$4 MILLION FOR THIS PURPOSE). AT SAME TIME EXPECTATION OF TOTAL REVENUES FROM ALL DOMESTIC SOURCES REMAINS AT PREVIOUS ESTIMATE OF 130 MILLION JD (I.E. 7 MILLION JD LESS THAN TOTAL IN 1977 BUDGET DOCUMENT). NONTHELESS WITH CURRENTLY EXPECTED INFLOWS OF ARAB BUDGET SUPPORT, GOJ DOES NOT EXPECT INCREASE IN ITS BUDGET DEFICIT (ON CASH FLOW BASIS)

THIS YEAR. THERE WILL REMAIN UNCOVERED, HOWEVER, LARGE PART
OF DEFICIT OF ABOUT \$100 MILLION CARRIED OVER FROM 1976.
PRELIMINARY ESTIMATES FOR 1978 ADD ANOTHER \$75 MILLION TO
DEFICIT BY END OF THAT YEAR.
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Message Attributes

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